

# A Study of Customers' Attitudinal and Behavioral Responses toward Lodging Companies' Corporate Social Responsibility Initiatives

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## ABSTRACT

*Despite the increasing interest in corporate social responsibility (CSR) marketing practices, the role of CSR has little been explored in the area of hospitality marketing. The main purpose of the study was to propose and assess a theoretical model on the effects of hotels' CSR and corporate ability (CA) on customer-company identification (CCID), customers' corporate evaluation (CE), and purchase intention (PI). On-line survey was conducted and a total of 683 responses were collected and analyzed using structural equation modeling method. The results demonstrated that (1) corporate ability (CA) still had a stronger effect on customers' corporate evaluation (CE) and purchase intention (PI) than CSR associations, (2) CSR showed stronger impact on customer-company identification (CCID) than corporate ability (CA), and (3) both CSR and CA showed positive effects on the relationships toward corporate evaluation (CE) and purchase intention (PI) mediated by customer-company identification (CCID). The study concluded with discussion and future research.*

**Keywords:** *corporate social responsibility, societal marketing, corporate image, company identification*

## INTRODUCTION

Previous research has suggested that there are two key components that influence customers' perceptions of a company's product: corporate ability (CA) and corporate social responsibility (CSR) associations (Brown and Dacin, 1997). CSR has been defined as "the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organizations (Davis and Blomstrom, 1975)". More recently, Brown and Dacin (1997) have conceptualized CSR broadly as "a company's status and activities with respect to its perceived societal obligation". While CSR has no direct influence on a company's production of its product/service, corporate ability (CA) association is defined as those associations related to the company's expertise in producing and delivering its outputs (Brown and Dacin, 1997; Keller and Aaker, 1993). Some examples of the CA associations include the expertise of employees, manufacturing expertise, customer orientation, and industry leadership.

In hospitality, corporate ability (CA) can be referred to a company's ability to provide and deliver quality service (e.g., friendliness, professionalism of employees) and physical environments (e.g., interior and exterior of a hotel). Corporate ability (CA) associations have been studied as main antecedents of customer satisfaction and company evaluation in numerous marketing literatures. In general, scholars have considered corporate abilities one of primary dimensions of corporate image and reputation (Boulstridge and Carrigan, 2000; Brown, 1998; Keller and Aaker, 1993). In a relation to understand a customer's evaluation of a company, the role of corporate ability associations has been a major, if not only, force and cannot be overlooked. The ability of hotel companies to produce and deliver quality service/product to customers will have an influence on the customer's evaluation of the hotels, which may lead to his/her purchase decision and other behaviors (i.e., word-of-mouth).

Although CSR associations seem to have no direct influence on company's production of its product/service, numerous studies have shown that CSR leads to positive impact on key stakeholder groups, such as employees, consumers, and stock holders (Bhattacharya and Sen, 2004; Sen, et al., 2006). Academic research particularly on the consumer responses to CSR reveals its company-favoring effects on cognitive and affective (e.g., beliefs, identification, attitudes) as well as behavioral outcomes (e.g., patronage, loyalty) (Bhattacharya and Sen, 2003; Brown and Dacin, 1997; McDonald and Rundle-Thiele, 2008; Salmons, et al., 2005; Sen et al., 2006).

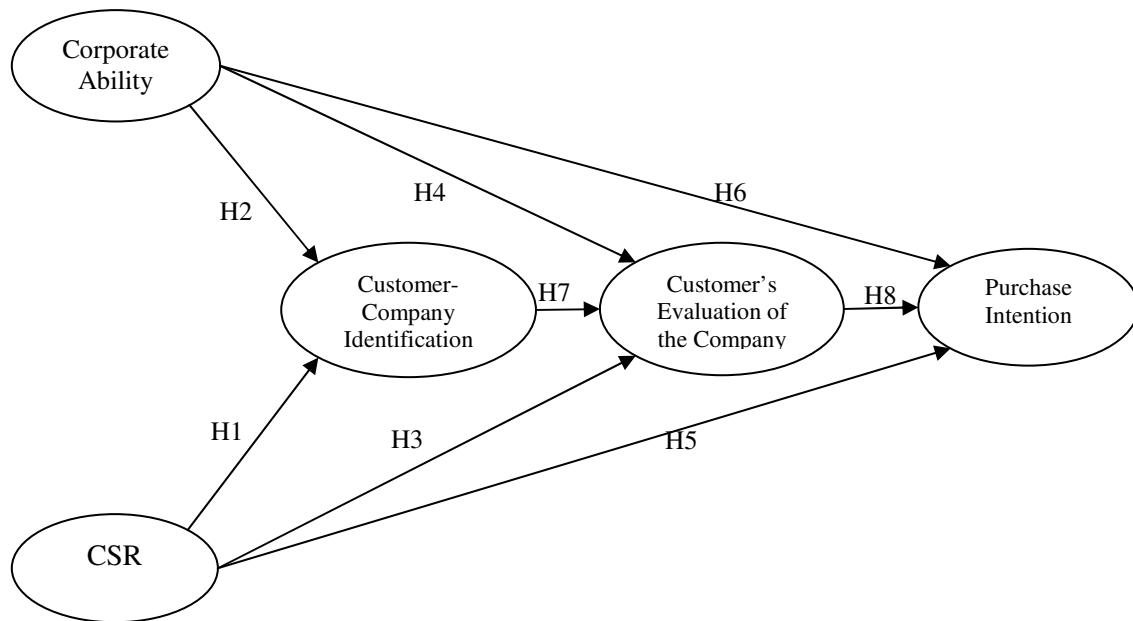
Recent research suggests that a corporation's CSR behavior can positively affect consumers' attitudes toward the corporation (Brown and Dacin, 1997; Sen and Bhattacharya, 2003, 2004; Madrigal, 2000; Mohr and Webb, 2005; Perez, 2008). In addition, recent research suggested that CSR increase company-customer identification (CCID), which involves evaluating self-image congruence to that of the organization. The degree of overlap between a customer's self-image and the company indicates the strength of identification (Dutton, Dukerich, and Harquail 1994). Researchers have suggested that organizational identification may provide a basis for understanding how CSR generates the active support of customers (Maignan and Ferrell, 2004; Sen and Bhattacharya 2001). Sen and Bhattacharya's (2001) study indicated that CSR has a positive effect on consumers' evaluation of the company, partially mediated by customer-company identification. Others have suggested that companies' CSR initiatives positively influence on customers' purchase intention, the chance of getting customer loyalty, word-of-mouth, trust, and combating negative publicity (Yoon, et al., 2006; McDonald and Rundle-Thiele, 2007).

Despite the increasing popularity of CSR practices and its marketing uses, it has yet to be empirically examined in the context of the hospitality industry, especially in regard to the potential effects of CSR initiatives on consumer responses. Specific CSR efforts, such as green marketing, cause-related marketing, or ecotourism, have been separately studied in numerous studies; however, CSR as a whole has not been explored in hospitality research. As the concept of CSR is now widely recognized by the public, companies have embraced and practiced CSR activities (Barner, 2007; Jones and Comfort, 2006) and it has become critical to determine whether these CSR efforts create results, such as customers' positive attitude toward the company and their behavioral responses (i.e., purchase) (Lee and Park, 2009; Sen and Bhattacharya, 2001; 2003).

This study aims to provide a framework to understand the role of CSR as a marketing tool, especially in building a corporate identity, image and reputation, and to further explore CSR effects on a customer's attitude and behavior toward lodging companies. There are two main purposes in this study: a) to propose and test a theoretical model on the effects of CSR and corporate ability (CA) to customer-company identification (CCID), customers' evaluation of the company (CE), and purchase intention (PI); and b) to provide a better understanding of how hospitality marketers should use CSR initiatives in their marketing strategies and practical applications. Figure 1 presents the conceptual framework of the proposed model and hypotheses for the study.

All hypotheses in path relationships are summarized as following.

- H 1: A company's corporate social responsibility (CSR) has a positive relationship with customer-company identification (CCID).
- H 2: A company's corporate ability (CA) has a positive relationship with CCID.
- H 3: CSR has a positive relationship with customers' corporate evaluation (CE).
- H 4: CA has a positive relationship with CE.
- H 5: CSR has a positive relationship with customers' purchase intention (PI).
- H 6: CA has a positive relationship with PI.
- H 7: CCID has a positive relationship with CE.
- H 8: CE has a positive relationship with PI.



**Figure 1**  
**Conceptual Framework of Proposed Model and Hypotheses**

## METHODOLOGY

The research included three stages. Stage I identified measurement items for corporate ability (CA) and corporate social responsibility (CSR) that led to the second study. This part of the study provided reliable lists of items for CA and CSR particularly for the lodging industry, where no previous studies have been conducted in this area. Stage II developed a survey questionnaire and conducted a pilot test. Four scenarios that included a hypothetical hotel setting with different combinations of levels of CSR (high-low) and CA (high-low) attributes were developed in order to create enough variation for the study. In addition to the scenarios, a self-administrated questionnaire was developed to assess the relationship of corporate ability (CA) and CSR on customer-company identification (CCID), customers' evaluation of the company (CE), and purchase intention (PI) using seven-point Likert-type scale. A pilot test was performed with a group of college students to examine reliability of the questionnaire before distributing survey to the sample population of the study. Fifty three university students participated and the results of the separate reliability test for each construct showed that Cronbach's alphas from .766 to .958, which were all good (Hair et al., 2006). In Stage III, on-line survey was conducted via [www.surveymonkey.com](http://www.surveymonkey.com). Convenient sampling was used and approximately 16,000 e-mail invitations were sent to university students, including both undergraduate and graduate students. A total of 819 responses were collected as a result.

## RESULTS

Among 819 responses received, 136 responses were deleted for excessive missing data or outliers, resulting 4.30% in usable response rate. Of the 683 respondents, 54.4% were male and 45.6% were female. 64.3% of respondents were married and approximately 46% of respondents were 24 years old or younger due to the fact that the survey was conducted on a university campus. Furthermore, 57.7% of respondents were either college graduates or have graduate degree of some kind. In terms of the frequency of hotel stays, 48.6% answered that they stay in a hotel one to three times a year and another 48.6% answered that they stay in a hotel at least four times or more. Table 1 presents detailed information of participants' demographic characteristics.

**Table 1**  
**Respondents' Demographic Profile (N=683)**

	Frequency	Percentage (%)
<b>Gender:</b>		
Female	371	54.4
Male	311	45.6
No response	1	
<b>Age:</b>		
18-24	310	45.5
25-34	199	29.2
35-44	89	13.0
45-54	59	8.7
55-64	24	3.5
65 and over	1	0.1
No response	1	
<b>Education:</b>		
High school diploma	33	4.9
Some college/Associate degree	255	37.5
College graduate	189	27.8
Graduate degree	203	29.9
No response	3	
<b>Marital Status:</b>		
Single	431	64.3
Married	239	35.7
No response	13	
<b>Annual Household Income:</b>		
Under \$20,000	228	34.1
\$20,000 to \$39,999	109	16.3
\$40,000 to \$59,999	99	14.8
\$60,000 to \$79,999	65	9.7
\$80,000 to \$99,999	66	9.9
\$100,000 or greater	102	15.2
No response	14	
<b>Frequency of Hotel Stay (per year):</b>		
None	19	2.8
1-3times	332	48.6
4-6times	187	27.4
7-10times	74	10.8
More than 10times	71	10.4

For the overall model testing, a two-step process recommended by Anderson and Gerbing (1988) was followed; confirmatory factor analysis (CFA) was conducted to assess the measurement items in the model, followed by structural equation modeling (SEM) to test overall structural model. Measurement items in corporate ability (CA, 4 items), corporate social responsibility (CSR, 4 items), customer-company identification (CCID, 2 items), corporate evaluation (CE, 3 items), and purchase intention (PI, 4 items) were tested. Original CFA revealed that the model fit for the measurement model was satisfactory ( $\chi^2=953.36$ ,  $df=109$ , comparative fit index [CFI] = .98; goodness-of-fit index [GFI] = .86; standardized root mean residual [SRMR] = .034; normed fit index [NFI] = .98). Once the measurement model was

identified as an acceptable fit, convergent validity (standard loading and squared multiple correlation) and construct reliability ( $\alpha$ ) of each constructs were evaluated. In addition, composite reliability (CR) and average variance extracted (AVE) were calculated to assess discriminant validity of the study. The results showed that both convergent validity and discriminate validity of the model were supported. Table 2 shows the summary of results on the measurement model.

**Table 2**  
**The Results of the Measurement Model**

	Std. loading	SMC*	CR*	AVE*
<b>Corporate Evaluation (<math>\alpha = .889</math>)</b>			0.92	0.78
CE1 Overall, the AJEKSA Hotel is	0.97	0.93		
CE2 I think the image of the AJEKSA Hotel is	0.93	0.87		
CE3 I think the AJEKSA Hotel is a well-established company.	0.75	0.56		
<b>Purchase Intention (<math>\alpha = .958</math>)</b>			0.96	0.87
PI1 I will definitely reserve a room with AJEKSA Hotel.	0.96	0.92		
PI2 It is very likely that in the near future I will book a room with AJEKSA Hotel.	0.94	0.89		
PI3 I will recommend AJEKSA Hotel to others who seek my advice.	0.93	0.87		
PI4 I will say positive things about AJEKSA Hotel to others.	0.91	0.83		
<b>Corporate Ability (<math>\alpha = .956</math>)</b>			0.97	0.88
CA1I think the AJEKSA Hotel provides quality services	0.94	0.89		
CA2 I think the AJEKSA Hotel provides quality room features	0.92	0.85		
CA3 I think the AJEKSA Hotel's employees show professionalism	0.90	0.81		
CA4 I think the AJEKSA Hotel has quality hotel features overall	0.99	0.97		
<b>Corporate Social Responsibility (<math>\alpha = .976</math>)</b>			0.98	0.93
CSR1I think AJEKSA Hotel is aware of environmental issues	0.94	0.89		
CSR2 I think AJEKSA Hotel fulfils its social responsibilities	0.97	0.95		
CSR3 I think AJEKSA Hotel gives back to the community	0.97	0.94		
CSR4 I think AJEKSA Hotel acts in a socially responsible way	0.98	0.94		
<b>Company-Customer Identification (<math>\alpha = .862</math>)</b>			0.90	0.81
CCID1 The image I have of AJEKSA Hotel overlaps with my self-image.	0.94	0.88		
CCID2 degree of overlap between what you are like and what the AJEKSA Hotel is like (1-farther; 7-complete overlap)	0.86	0.74		

\*SMC=squared multiple correlation; CR=composite reliability; AVE= average variance extracted

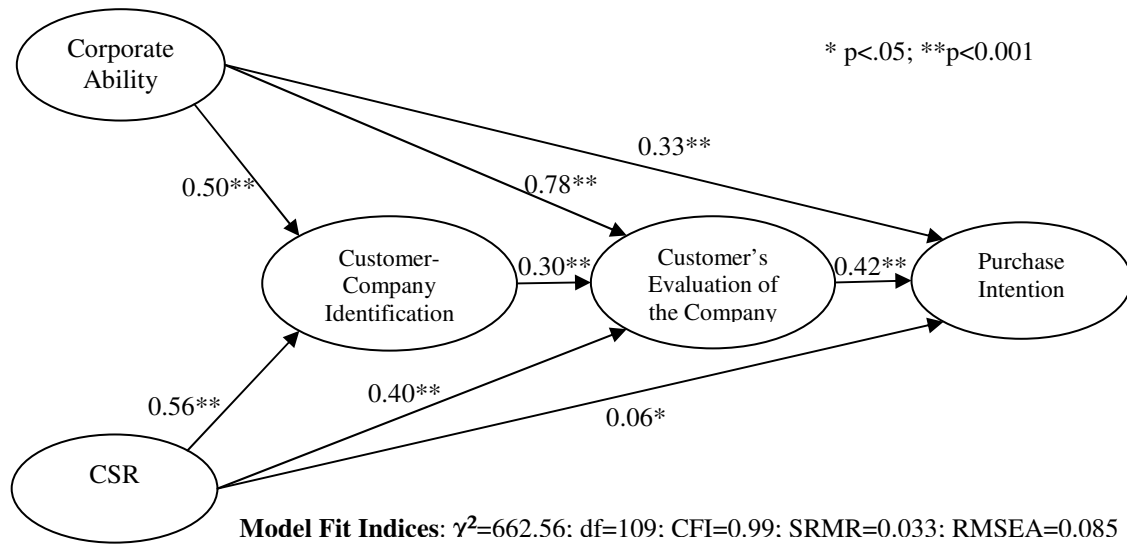
Although initial CFA showed a good fit, using one of the modification indices, the study was able to improve the model fit by 321.12 in chi-square without compromising the proposed structural model. After the measurement model evaluated and modified, SEM was conducted to assess overall structural model fit. The structural model also achieved a good level of fit ( $\chi^2=662.56$ ,  $df=109$ , comparative fit index [CFI] = .99; goodness-of-fit index [GFI] = .90; root mean square error of approximation [RMSEA] = .085; standardized root mean residual [SRMR] = .033; normed fit index [NFI] = .98). Among eight hypotheses, seven paths were significant at  $p<.001$  and only one path (H6) showed significance at  $p<.05$ . Table 3 summarizes the results of SEM analyses for the study.

**Table 3**  
**Structural Path Estimates**

Path To	Path From	H0	Standardized Estimate	t-value
<b><math>\gamma</math> paths</b>				
Customer-company Identification	Corporate Social Responsibility	H1	0.56	19.56**
	Corporate Ability	H2	0.50	17.65**
Corporate Evaluation	Corporate Social Responsibility	H3	0.40	11.21**
	Corporate Ability	H4	0.78	22.57**
Purchase Intention	Corporate Social Responsibility	H5	0.06	2.23*
	Corporate Ability	H6	0.33	8.43**
<b><math>\beta</math> paths</b>				
Corporate Evaluation	Customer-Company Identification	H7	0.30	6.51**
Purchase Intention	Corporate Evaluation	H8	0.42	11.11**

Note: \* $p < .05$ ; \*\* $p < 0.01$

Overall, all of eight hypotheses have shown statistical significance in the structural model. Although the path from CSR to purchase intention (H5) showed the least strong, it still revealed that there is significant direct effect between two constructs at  $p < .05$ . From the results, indirect effect from CSR to purchase intention through customer-company identification and/or company evaluation resulted in more significant effect. Figure 2 shows the overall model fit with standardized estimates for each path.



**Figure 2**  
**Standardized Structural Path Coefficient and Model Fit Indices**

While the path estimates showed only direct effects among variables, there were also indirect and total effects among constructs. Table 4 demonstrates direct, indirect, and total effects in the structural model. It indicated that corporate ability (CA) had a significant indirect effect on corporate evaluation (CE) (standardized estimate=.15,  $p<.001$ ) and purchase intention (PI) (standardized estimate=.39,  $p<.001$ ), and CSR also had a significant indirect effect on CE (standardized estimate=.17,  $p<.001$ ) and PI (standardized estimate=.24,  $p<.001$ ). Among endogenous variables, customer-company identification (CCID) showed a significant indirect effect on PI (standardized estimate=.12,  $p<.001$ ).

**Table 4**  
**Direct, Indirect, and Total Effects of Latent Variables**

Variables	Customer-company Identification			Corporate Evaluation			Purchase Intention		
	Direct	Indirect	Total	Direct	Indirect	Total	Direct	Indirect	Total
Corporate ability	0.50	-	0.50	0.78	0.15	0.92	0.33	0.39	0.72
Corporate social responsibility	0.56	-	0.56	0.40	0.17	0.56	0.06*	0.24	0.30
Customer-company identification	-	-	-	0.30	-	0.30	-	0.12	0.12
Corporate evaluation	-	-	-	-	-	-	0.42	-	0.42

Note: all standardized estimates are significant at  $p<.001$ ; except \* at  $p<.05$

## CONCLUSION

The purpose of this study was to understand the role of CSR in the hotel marketing. This study demonstrated that hotels' CSR actions have significantly positive influence on customer-company identification, customers' attitude toward the company, and purchase intention. Although it has shown that hotel's ability to provide quality service and product (CA) still has a stronger impact on customers' evaluation (CE) and purchase intention (PI) than its CSR actions, CSR has showed more significant influence on customer-company identification (CCID) than corporate ability (CA). The results suggest that if a hotel wants to build a strong positive organizational identification, it should use CSR marketing strategies.

Corporate social responsibility has been a topic of management philosophy and legal and ethical issues that management should follow. Now, it has become a main tool for marketing strategy and any firm that ignores CSR actions will suffer from losing its competitiveness. Showing off what hotel companies have done in the community and the society is not a bad idea at all and it should be encouraged.

Two main limitations restrict any generalization that may be drawn from this research. The first limitation is that the sample population was selected only from a university campus. Apparently undergraduate and graduate students were chosen as participants, therefore, the sample might not representative of all hotel customers. Secondly, there was no attempt made to



count the non-response rate or to contact non-respondents. Clearly, it is important to understand how and if non-respondents differ from respondents in their opinions about corporate social responsibility issues and its relation to their purchase intention.

Based on the findings of this research, the following research possibilities are suggested. Future research should include real hotel companies, not hypothetical hotel brand. Now that the increasing importance of CSR in the hotel marketing is acknowledged, future studies should further extend to have a real hotel corporations involved to test their customers' attitude toward their CSR efforts that hotels have made. From the literature review, the study has found that hotel corporations have done their part of CSR efforts and some companies, such as Marriott and IHG, even have designated websites and documents to promote their good doings. It would be valuable for hotel management to understand which CSR marketing actions work better than others (for example, charity works vs. environmental efforts) to create positive identification and image of the company. In addition, this study may be able to extend to other industries, such as restaurants, airlines, and casinos to assess effectiveness of their own CSR actions.

As competition gets fierce and current economic outlook does not look promising, hotel companies must find a way to survive. By understanding the effectiveness of CSR practices in the market place and its impact on customers' responses toward the company, hotel management will be able to attract new customers as well as keep strong relationships with current customers. CSR marketing will provide the firm a competitive edge over its competitors.

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